



REY RESOURCES LIMITED

A.B.N. 84 108 003 890

**CONSOLIDATED FINANCIAL REPORT FOR THE
YEAR ENDED 30 JUNE 2017**

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CORPORATE DIRECTORY

Directors

Ms Min Yang - Non-Executive Chairman

Mr Wei Jin - Managing Director (*appointed Managing Director 1 July 2016*)

Mr Geoff Baker - Non-Executive Director

Mr Dachun Zhang – Independent Non-Executive Director

Dr Zhiliang Ou – Independent Non-Executive Director (*appointed 22 September 2016*)

Mr Louis Chien - Alternate Director to Non-Executive Chairman, Ms Min Yang

Company Secretary

Ms Shannon Coates

Registered Office

Suite 5, 62 Ord Street

West Perth WA 6005

Tel +61 (08) 9322 1587

Fax +61 (08) 9322 5230

Administration Office

Suite 2, 3B Macquarie Street

Sydney NSW 2000

Tel +61 (02) 8259 9620

Fax +61 (02) 9251 9066

Share Registry

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

GPO Box 3993

Sydney NSW 2001

Lawyers

Corrs Chambers Westgarth

240 St Georges Terrace

Perth WA 6000

Auditor

KPMG

International Towers Sydney 3

300 Barangaroo Avenue

Sydney NSW 2000

Securities Exchange

Australian Securities Exchange (ASX)

ASX Code: REY

Website

www.reyresources.com

DIRECTORS' REPORT

The Directors of Rey Resources Limited (“Rey”, “Rey Resources” or “the Company”) present their report together with the consolidated financial statements of the Company and its controlled entities (“the Group”) for the financial year ended 30 June 2017.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Ms Min Yang - Non-Executive Chairman

Mr Wei Jin - Managing Director (*appointed Managing Director 1 July 2016*)

Mr Geoff Baker - Non-Executive Director

Mr Dachun Zhang – Independent Non-Executive Director

Dr Zhiliang Ou – Independent Non-Executive Director (*appointed 22 September 2016*)

Mr Louis Chien - Alternate Director to Non-Executive Chairman, Ms Min Yang

Details of Directors’ qualifications, experience, special responsibilities and directorships of other listed companies can be found on pages 5 to 7.

Rey Resources Limited
Directors' Report (continued)

2. INFORMATION ON DIRECTORS AND OFFICERS

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other ASX listed companies during the last three years	Special responsibilities during the year
Current				
Min Yang Appointed on 13 September 2012	Chairman Non-Executive	Min Yang has extensive business connections in the Asia Pacific region, especially greater China, and has over twenty years of hands-on experience dealing with both private and state-run businesses in China. Over the years, Min Yang has proven her unique business insight and expertise in the identification, incubation and realisation of embryonic opportunities in the resources, commodities trading & residential estate and financial investment sectors.	<ul style="list-style-type: none"> ASF Group Ltd (September 2005, ongoing) ActiveEX Limited (May 2012, ongoing) Key Petroleum Limited (January 2014, ongoing) Metaliko Resources Limited (appointed August 2014 and resigned October 2016) 	<ul style="list-style-type: none"> Non-Executive Chairman Member, Audit and Risk Management Committee
Wei Jin Appointed Non-Executive Director on 2 December 2013. Appointed Managing Director on 1 July 2016	Managing Director	Wei Jin holds PhD in Science in China University of Geosciences. He has over 20 years' professional experience covering exploration, mineral industry construction and operation, as well as mineral resources products international trading activities in Australia, China, Russia and Mongolia.		<ul style="list-style-type: none"> Member, Audit and Risk Management Committee
Geoff Baker Appointed on 13 September 2012	Director Non-Executive	Qualifications – BCom, LLB, MBA For the past 35 years Geoff has been active in Asia and China working in law and conducting an advisory practice in assisting companies doing business in the region. As an experienced lawyer qualified to practice in Australia and Hong Kong, Geoff provides valuable assistance to international operations and in particular to the negotiation, structuring and implementation of joint venture and commercial agreements.	<ul style="list-style-type: none"> ASF Group Ltd (November 2006, ongoing) ActiveEX Limited (appointed February 2013. Resigned June 2017 and re-appointed August 2017) Key Petroleum Limited (alternate to Min Yang) (January 2014, ongoing) Metaliko Resources Limited (appointed August 2014 and resigned January 2017) 	<ul style="list-style-type: none"> Member, Audit and Risk Management Committee

Rey Resources Limited
Directors' Report (continued)

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other ASX listed companies during the last three years	Special responsibilities during the year
Current				
<p>Dachun Zhang Appointed on 1 July 2013</p>	<p>Director Non-Executive Independent</p>	<p>Mr Zhang has a Bachelor's Degree from Poznan University, Poland and a Master's Degree from the University of Wales, UK and was conferred the qualification of Senior Economist in Shipping Management by the Ministry of Communications of China.</p> <p>Mr Zhang was most recently Executive Director and President of China Merchants Group, as well as the Chairman of Merchants International Co. Ltd (a listed Hong Kong company). Previously his career was with COSCO (a Chinese company and one of the world's largest shipping groups) where he held the positions of Executive Vice-Chairman and President of COSCO (Hong Kong) Group Ltd, as well as Vice-Chairman of two Hong Kong listed companies: COSCO Pacific Co. Ltd and COSCO International Holdings Co. Ltd.</p> <p>Mr Zhang, a resident of Victoria, Australia brings extensive international experience and Chinese business relationships to the Board of Rey.</p>		<ul style="list-style-type: none"> Chairman, Audit and Risk Management Committee
<p>Zhiliang Ou Appointed on 22 September 2016</p>	<p>Director Non-Executive Independent</p>	<p>Dr Ou has over 27 years of professional engineering and management experience in the oil and gas, mining and infrastructure industries both in Australia and China. He currently serves as an executive director of Hao Tian Development Group Limited, a company listed on the main board of the Hong Kong Stock Exchange. Dr Ou holds a Doctor of Philosophy degree in Civil & Resource Engineering from the University of Western Australia. He also holds two Bachelor of Engineering degrees in Structural Engineering & Engineering Management respectively.</p>		

Rey Resources Limited
Directors' Report (continued)

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other ASX listed companies during the last three years	Special responsibilities during the year
Current				
<p>Louis Chien Appointed Alternate Director to Non-Executive Chairman, Ms Min Yang on 11 January 2016.</p>	<p>Alternate Director</p>	<p>Mr Chien was born in Shanghai, China, grew up and was educated in the United States, and is now based in Australia. He has 20+ years of corporate experience based in Australia, the United States and Singapore and has held various engineering and finance leadership positions within The Procter & Gamble Company (P&G). He has managed organisations across the Americas, Europe and Asia-Pacific, and is currently a director of ASX listed ASF Group Limited, and ASF Consortium Pty Ltd.</p> <p>Mr Chien holds a Master of Business Administration in finance from Kelley School of Business, Indiana University, and two bachelor degrees in Architecture, all attained in the United States.</p>	<ul style="list-style-type: none"> ASF Group Ltd (May 2015, ongoing) 	

3. COMPANY SECRETARY

Ms Shannon Coates was appointed to the position of Company Secretary on 11 January 2012. Ms Coates holds a Bachelor of Laws from Murdoch University and has over 20 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as company secretary to several ASX listed companies and unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is Director to Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of corporate services to listed companies.

4. DIRECTORS' ATTENDANCE AT MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Meetings	
	A	B
Min Yang	2	3
Wei Jin	2	3
Geoff Baker	3	3
Dachun Zhang	3	3
Zhiliang Ou ¹	2	2
Louis Chien ²	1	3

1. Dr Zhiliang Ou was appointed as a Director on 22 September 2016.

2. Mr Louis Chien attended one Directors' meeting as Alternate Director to Ms Min Yang.

A - Number of meetings attended.

B - Number of meetings held during the time the Director held office.

The Company has established an Audit and Risk Management Committee, comprising one Executive and three Non-Executive Directors, with independent Non-Executive Director Mr Dachun Zhang as Chair. The number of Audit and Risk Management Committee meetings and number of meetings attended by each of the members of the Committee during the financial year are:

Director	Meetings	
	A	B
Min Yang	0	2
Geoff Baker	2	2
Dachun Zhang	2	2
Wei Jin	2	2
Louis Chien ¹	1	2

1. Mr Louis Chien attended one Audit and Risk Committee meeting as Alternate Director to Ms Min Yang.

A - Number of meetings attended.

B - Number of meetings held during the time the Director held office.

5. DIRECTORS' INTERESTS IN SECURITIES IN REY RESOURCES LIMITED

The relevant interest of each Director in the ordinary shares of Rey Resources Limited at the date of this report is set out as below:

	Ordinary shares ¹	Options over ordinary shares	Performance Rights
Min Yang	200,000	Nil	Nil
Geoff Baker	200,000	Nil	Nil
Dachun Zhang	777,413	Nil	Nil
Wei Jin	200,000	Nil	Nil
Zhiliang Ou	Nil	Nil	Nil
Louis Chien	Nil	Nil	Nil

1. Rey's ordinary shares were consolidated on a 5 into 1 basis on 1 December 2016. The above relevant interests are reflected on a post consolidation basis.

6. REMUNERATION REPORT - AUDITED

This remuneration report outlines the Director and executive remuneration arrangements for Rey Resources in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information in the report has been audited as required by Section 308(3C) of the Act.

6.1 Principles of compensation

For the purpose of this report key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The officers listed as KMP below are included in the report. The report will provide an explanation of Rey Resources' remuneration policy and structure, details of remuneration paid to KMP (including Directors), an analysis of the relationship between Company performance and executive remuneration payments, details of share-based payments, key terms of executive employment contracts and details of independent external advice received in relation to KMP remuneration.

6. REMUNERATION REPORT – AUDITED (continued)

6.1 Principles of compensation (continued)

2017 Key Management Personnel

The KMP of Rey Resources during the year ended 30 June 2017 were:

Non Executive

Min Yang	Non-Executive Chairman (appointed 13 September 2012)
Geoff Baker	Non-Executive Director (appointed 13 September 2012)
Dachun Zhang	Independent Non-Executive Director (appointed 1 July 2013)
Zhiliang Ou	Independent Non-Executive Director (appointed 22 September 2016)
Louis Chien	Alternate Director to Ms Min Yang (appointed 11 January 2016)

Executive

Wei Jin	Managing Director (appointed Non-Executive Director 2 December 2013, appointed Managing Director 1 July 2016)
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Remuneration policy

The successful performance of the Company is dependent on the quality and performance of Directors and executives, so the focus of the remuneration policy is to attract, retain and motivate highly competent people to these roles.

Four broad principles govern the remuneration strategy of the Company:

1. To set demanding levels of performance for KMP and to align their remuneration with the achievement of clearly defined targets.
2. To provide market competitive remuneration and conditions in the current market for high quality Directors and executives.
3. To align remuneration with the creation of shareholder value and the achievement of Company strategy, objectives and performance.
4. To be able to differentiate reward based on performance, in particular acknowledging the contribution of outstanding performers.

The Company seeks to provide fixed remuneration at the median level of the markets in which it competes for talent, and to provide the opportunity for a higher than median level of variable reward for those individuals who make an outstanding contribution to the success of the business.

The Board is responsible for matters relating to the remuneration of the Directors, senior executives and employees of the Company, including making recommendations in relation to the remuneration framework of the Company and the fees and remuneration paid to Directors and executives.

The Board seeks independent remuneration advice from time to time, and refers to relevant market survey data for the purposes of external comparison. Further details have been included in section 6.5.

Hedging policy

The Company's Securities Trading Policy prohibits all Directors and employees from entering into arrangements to protect the value of unvested Long Term Incentive ("LTI") awards. The prohibition includes entering into contracts to hedge their exposure to unvested share rights and options awarded as part of their remuneration package.

6. REMUNERATION REPORT – AUDITED (continued)

6.1 Principles of compensation (continued)

Executive remuneration components

Executive remuneration is structured so that it supports the key remuneration principles outlined above, and is intended to motivate executives towards achievement of the annual objectives and longer term success of the Company. A Total Fixed Remuneration ("TFR") is paid which considers external market comparisons and individual performance. Performance linked compensation is available through the short term and long term incentive plans outlined below.

Fixed remuneration

Executives receive an annualised TFR from which they must have deducted statutory superannuation. They may elect to salary sacrifice further superannuation contributions and other benefits such as a motor vehicle. Accommodation assistance and medical insurance may be provided for employees from overseas or interstate where it is necessary to be able to attract key talent. A review of TFR is undertaken each year and reflects market movements and individual performance.

Short term incentive

The objective of the short term incentive ("STI") plan is to align the achievement of the Company's annual targets with the performance of those executives who have key responsibility for achieving those targets.

Long term incentive

Executives are eligible to participate in the Rey Resources Limited Executive Incentive Rights Plan ("2014 EIRP"), which was approved by shareholders at the Company's 2014 Annual General Meeting. The 2014 EIRP replaced the 2011 EIRP that was previously approved by shareholders. The EIRP aligns the reward of the participants with the long term creation of shareholder value.

Both the 2014 EIRP and 2011 EIRP enable participants to be granted rights to acquire shares subject to the satisfaction of certain conditions including progression of Rey project milestones and Total Shareholder Return ("TSR"). Subject to adjustments for any bonus issues of shares and capital reorganisations, one share will be issued on the exercise of each right which vests or becomes exercisable. No amount is payable by employees in respect of the grant or exercise of rights.

The EIRP plan has been designed to deliver benefits based on the value of shares when performance and service conditions are satisfied. The benefits may be provided in cash or a combination of cash and shares.

6. REMUNERATION REPORT – AUDITED (continued)

6.1 Principles of compensation (continued)

Relationship between Company performance and remuneration

The objective of the Company's remuneration structure is to reward and incentivise the executives so as to ensure alignment with the interests of the shareholders. The remuneration structure also seeks to reward executives for their contribution in a manner that is appropriate for a company at this stage of its development. As outlined elsewhere in this Report, the remuneration structure incorporates fixed, annual at risk and long term incentive components.

For shareholders, the key measure of value is TSR. Other than general market conditions, the key drivers of value for the Company and a summary of performance are provided in the table following.

At this stage in the development of the Company, successful execution of the below drivers is the mechanism through which shareholder wealth will be created.

The only relevant financial measure at this point is the Rey share price for which the history is presented below. Absolute TSR performance is the basis for long term incentive awards under the EIRP.

	2017	2016	2015	2014	2013
Rey Closing Share Price as at 30 June	0.20	0.145*	0.525*	0.525*	0.26*

* Adjusted for 5 into 1 share consolidation

Consequences of performance on shareholder wealth

	2017	2016	2015	2014	2013
Profit (loss) (\$'000)	(559)	(3,998)	(10,200)	(3,304)	(7,678)
Dividends declared	0	0	0	0	0
Total shareholder return (TSR)%	38%	(72%)	0%	102%	(31%)

Non-Executive Director fees

The policy on Non-Executive Director ("NED") fees is to apply a remuneration framework in order to attract and retain highly capable NEDs and also in accordance with governance best practice. A fixed annual fee is paid in cash.

An aggregate fee limit for NED fees of \$400,000 was approved at the 2010 Annual General Meeting and no change is currently proposed.

NED fees comprise a fixed annual fee, with no participation in any performance rights plan.

The annual cash fees payable to each NED are as follows: Ms Yang \$48,000 per annum payable to her related entity, Luxe Hill Limited; Mr Baker \$60,000 per annum payable to his related entity, Gold Star Industry Ltd; Mr Zhang \$25,000 per annum payable to his related entity, AMI Corporation Pty Ltd; Dr Ou \$54,000 per annum plus superannuation.

Rey Resources Limited
Directors' Report (continued)

6. REMUNERATION REPORT – AUDITED (continued)

6.2 Directors' and executive officers' remuneration

The table below sets out the remuneration of the Group's KMP for the years ended 30 June 2016 and 30 June 2017.

	Short Term Benefits			Post-employment Benefits	Other Long Term employee benefit	Share Based Payments	Termination Benefits	Total
	Cash salary/ Fees	Annual Incentive	Non-monetary	Super	LSL & AL	Rights /Options	Termination Payments	
	\$	\$	\$	\$	\$	\$	\$	
M Yang - Non-Executive Chairman - Appointed 13 September 2012								
2017	48,000	-	-	-	-	-	-	48,000
2016	68,000	-	-	-	-	-	-	68,000
G Baker - Non-Executive Director - Appointed 13 September 2012								
2017	60,000	-	-	-	-	-	-	60,000
2016	85,000	-	-	-	-	-	-	85,000
D Zhang - Non-Executive Director - Appointed 1 July 2013								
2017	25,000	-	-	-	-	-	-	25,000
2016	35,625	-	-	-	-	-	-	35,625
W Jin - Managing Director - Appointed Non-Executive Director 2 December 2013, appointed Managing Director 1 July 2016								
2017	90,000	-	-	8,550	-	-	-	98,550
2016	42,500	-	-	-	-	-	-	42,500
Z Ou - Non-Executive Director - Appointed 22 September 2016								
2017	41,954	-	-	3,985	-	-	-	45,939
2016	-	-	-	-	-	-	-	-
L Chien - Alternate Director - Appointed 11 January 2016								
2017	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
K Wilson - Managing Director – Resigned 31 May 2016								
2017	-	-	-	-	-	-	-	-
2016	304,718	-	-	28,948	49,264	38,000	108,601	529,531
I Pound - General Manager – Resigned 31 January 2016								
2017	-	-	-	-	-	-	-	-
2016	163,333	-	-	15,517	-	-	112,349	291,199
TOTAL								
2017	264,954	-	-	12,535	-	-	-	277,489
2016	699,176	-	-	44,465	49,264	38,000	220,950	1,051,855

6. REMUNERATION REPORT – AUDITED (continued)

6.3 Equity instruments

6.3.1 No share rights were granted during the financial year.

6.3.2 The valuation assumptions and methodology for the Share based payments (rights) are set out in note 20 to the financial statements.

6.3.3 Rights over equity instruments granted as compensation

No rights over ordinary shares in the Company were granted during the reporting period.

Details on rights that were vested during the reporting period are as follows:

Name	Number of rights held during FY 2017	Vesting condition ³	Grant Date	Fair value per share right at grant date	Vest Date	Expiry Date
K Wilson	1,000,000 ¹	TSR	26 Nov 2014	\$0.057	1 July 2016 ⁴	N/A
	2,426,667 ²	TSR	22 Nov 2012	\$0.043	1 July 2016 ⁴	N/A

1. Approved by shareholders at 2014 Annual General Meeting.
2. Approved by shareholders at 2012 Annual General Meeting.
3. Subject to the Board's discretion.
4. Mr Wilson resigned on 31 May 2016. In accordance with the Company's share incentive scheme and as part of his agreed termination payment, all performance rights vested and converted to Shares on 1 July 2016.

6.3.4 Options and rights over equity instruments granted as compensation

Details of the vesting profiles of the options and rights granted as remuneration to the KMP are detailed below.

Name	Number	Grant Date	% vested in year	% forfeited/lapsed in financial year 2016	Financial year in which grant vests
Share Rights					
K Wilson	1,000,000 ¹	26.11.2014	100%	0%	Vested 1 July 2016
K Wilson	2,426,667 ¹	22.11.2012	100%	0%	Vested 1 July 2016

1. Mr Wilson resigned on 31 May 2016. In accordance with the Company's share incentive scheme and as part of his agreed termination payment, all performance rights vested and converted to Shares on 1 July 2016.

6.3.5 Movements in share rights

The movement during the reporting period of share rights over ordinary shares in the Company held by the KMP is detailed below.

Name	Held at 1 July 2016	Other Changes	Held at 30 June 2017	Vested during year
Share Rights				
K Wilson	1,000,000	N/A	N/A	1,000,000 ¹
K Wilson	2,426,667	N/A	N/A	2,426,667 ¹

1. Mr Wilson resigned on 31 May 2016. In accordance with the Company's share incentive scheme and as part of his agreed termination payment, all performance rights vested and converted to Shares on 1 July 2016.

Rey Resources Limited
Directors' Report (continued)

6. REMUNERATION REPORT – AUDITED (continued)

6.4 Key employment contracts

The table below summarises the key contractual provisions of the executive KMP.

Name and Position	Contract Term	Termination by Company	Termination by Executive
Wei Jin	Ongoing	3 months' notice or payment in lieu.	3 months' notice or payment in lieu.

Non-Executive Directors are engaged by a letter of appointment for a term as stated in the Constitution of the Company. They may resign from office with reasonable notice to the Chairman. Non-Executive Directors receive annual fees. There are no post-employment benefits other than statutory superannuation.

6.5 Remuneration Consultant

The Board may seek advice on remuneration matters for the KMP and Non-Executive Directors from independent external advisors. Such advisors are appointed and directly engaged by the Chairman.

No external advisors were engaged on remuneration matters for the 2017 financial year.

6.6 Movements in share holdings

Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held by each KMP, including their related parties, is as follows:

2017	Held at 1 July 2016	Received as compensation	Received on exercise of options/rights	Other changes	Held at 30 June 2017
Directors					
Min Yang	1,000,000	-	-	(800,000) ¹	200,000
Geoff Baker	1,000,000	-	-	(800,000) ¹	200,000
Wei Jin	1,200,000	-	-	(1,000,000) ^{1,2}	200,000
Dachun Zhang	3,887,066	-	-	(3,109,653) ¹	777,413
Louis Chien	-	-	-	-	-
Total	7,087,066	-	-	(5,709,653)	1,377,413

1. Rey's share capital was consolidated on a 5 into 1 basis on 1 December 2016

2. Mr Wei Jin sold 40,000 shares on market on 23 March 2017

6.7 Movements in Option holdings

No KMP held or were issued options during the 2017 reporting period.

6.8 Movement in Share right holdings

No KMP held or were issued share rights during the 2017 reporting period.

7. PRINCIPAL ACTIVITIES

The principal activity of Rey Resources is exploring for and developing energy resources in Western Australia's Canning and Perth Basins. The Company holds coal exploration assets, a 25% interest in petroleum permits EP457 & 458 in joint venture with Buru Energy Limited and Mitsubishi Corporation, a 100% interest in the Derby Block EP487 and a 43.47% in petroleum exploration permit EP437.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS

During the year, Rey Resources continued its strategy of exploring and developing energy resources in Western Australia's Canning Basin and Perth Basin, with particular focus on its oil and gas assets.

Oil and Gas

Canning Basin **EP457 & EP458**

Rey Resources holds a 25% interest in Exploration Permits EP457 and EP458 ("the Fitzroy Blocks"). The Fitzroy Blocks are located in the Canning Basin in the northwest of Western Australia. The equity interest in each permit is:

Rey Oil and Gas Pty Ltd	25%	(of which a 10% interest is free carried to production)
Buru Fitzroy Pty Ltd	37.5%	(Buru Energy Limited operator)
Diamond Resources (Fitzroy) Pty Ltd	37.5%	(100% subsidiary of Mitsubishi Corporation)

During the reporting period, the permits have been renewed for a five (5) years term but 50% of the areas had been dropped as required by the regulations. The new terms commenced on 6 January 2017. EP457 and EP458 now cover areas of approximately 2517km² and 2920km² respectively.

The operator completed the final reports for victory 1 and senagi 1 exploration well. Both reports and all associated well data have been lodged.

Further, the JV has planned the magneto-telluric survey in the permits area, which will be conducted in the second half of 2017.

Derby Block (EP487)

On 16 June 2017, Rey announced the completion of the transaction ("Transaction") with Oil Basins Limited ("OBL") to acquire its 50% interests of EP487 ("Derby Block") via another wholly owned subsidiary, Rey Derby Block Pty Ltd, subsequent to the granting of operatorship in May 2016. Rey now holds 100% of the Derby Block.

According to the agreement, Rey had a three month option to acquire Oil Basins Royalties Limited ("OBR"), wholly owned subsidiary of OBL, for up to \$400,000 if the negotiated sale of OBR to a third party does not proceed within six months from the date of completion of the Transaction. Rey has been informed that the sale of OBR has completed and the option to acquire OBR has lapsed accordingly.

The equity interests in the permit are :

Rey Lennard Shelf Pty Ltd	50%
Rey Derby Block Pty Ltd	50%

The Derby Block is a large exploration licence with an area of approximately 5,000 km². The block is considered prospective for basin centred wet gas. It occurs to the north of Rey's existing interests in petroleum exploration licences in the Canning Basin.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

On 30 September 2016, a 12-month commitment work suspension and extension was granted by DMP. The two wells drilling condition to December 2016 has been replaced by an intergrated work, including Petrophysical study, regional geology study, 600km vintage seismic line reprocessing and new 60km seismic. The commitment drilling is deferred to December 2017.

At the date of this report, the studies and reprocessing have been completed. Rey also completed the updated resources estimation and initial well location review.

The potential of conventional target, Butler Perspect, has also been initially identified based on the geology studies results. Rey planned to conduct the proposed new seismic before the drillings in aim of optimal the well locations.

Perth Basin (EP437)

The beneficial interests in EP437 are as follows:

Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)	43.47%
Rey (Rey Oil and Gas Perth Pty Ltd)	43.47%
Pilot Energy Limited	13.06%

During the period, an AFE for the long lead and well planning has been issued to the JV partners by the Operator. The proposed drilling is planned to be conducted in the second half of 2017.

Coal

Rey's thermal coal tenements are located in the Fitzroy Trough of the Canning Basin, north Western Australia and are partly contiguous with the Fitzroy Blocks petroleum tenements. The Canning Basin is well situated to feed the strong Asian demand for Australian export thermal coal for power generation.

Duchess Paradise Project

The Duchess Paradise Project is a proposed bituminous thermal coal in the Canning Basin, north Western Australia. A Definitive Feasibility Study of the Project was completed in June 2011. The project covers 3 tenements.

During the period, two tenements of the project have been renewed for one year until 20 January 2018 and 19 April 2018 respectively.

A Mining Licence covering three tenements is under application. Next hearing will be held by Warden Court in November 2017 between Rey and objectors regarding the Mining Licence application. Rey has revised the particulars for the next hearing. An access deed has also been drafted for one of the objectors.

Management has re-assessed the carrying value of the Duchess Paradise exploration and evaluation asset using a fair value calculation which was prepared by an independent technical specialist. The calculation supports the carrying value of the Duchess Paradise exploration and evaluation asset however changes in certain key assumptions used in valuation report, such as the coal price, foreign exchange rate and the post-tax discount rate may result in an impairment of the carrying value of the asset.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

Corporate

On 1 July 2016, Mr Wei Jin was appointed Managing Director of the Company. Mr Jin has been a Director of the Company since 2 December 2013. He holds a PhD in Science from the China University of Geosciences with over 22 years' professional experience covering exploration, mineral industry construction and operation, as well as mineral resources products international trading activities in Australia, China, Russia and Mongolia.

On 22 September 2016, Dr Zhilang Ou was appointed Independent Non-Executive Director of the Company. Dr Ou holds a Doctor of Philosophy degree in Civil & Resource Engineering from the University of Western Australia and has over 27 years of professional engineering and management experience in the oil and gas, mining and infrastructure industries both in Australia and China. Dr Ou currently serves as an executive director of Hao Tian Development Group Limited, a company listed on the main board of the Hong Kong Stock Exchange.

On 17 October 2016, the Company raised \$1 million by placement of 66,666,666 fully paid ordinary shares at an issue price of \$0.015 per share.

As approved by shareholders at the Company's Annual General Meeting held on 25 November 2016, the Company's shares were consolidated on a five into one basis and the issued capital of the Company became 212,495,266 shares upon completion of the share consolidation in December 2016.

As part of the ongoing capital management strategy, the Company had on 23 May 2017 announced the extension of the on-market buyback program for a further 12 months from 6 June 2017. No shares were bought back for the year ended 30 June 2017.

In June 2017, the Company secured a loan of \$500,000 from a substantial shareholder, Ms Wanyan Liu. The loan bears an interest rate of 12% per annum with a term of 12 months.

Finance review

The loss for the Group after income tax for the year ended 30 June 2017 was \$559,000 (2016: \$3,998,000).

During the period \$1,171,000 (2016: \$3,658,000) in exploration expenditure was capitalised, \$1,065,000 of which related to oil and gas exploration (2016: \$3,451,000).

9. DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2017 (2016: nil) and the Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2017.

10. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as noted elsewhere in this report, there have been no significant changes in the state of the affairs of the Company up to and including the date of this report.

11. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Future information about the likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated Group.

12. PERFORMANCE RIGHTS OVER UNISSUED SHARES

Performance rights on Issue

As at the date of this report there were no performance rights on issue.

Performance rights vested, forfeited or lapsed

During the financial year, 3,426,667 performance rights vested and were converted to shares.

13. OPTIONS OVER UNISSUED SHARES

Options on Issue

During the financial year and as at the date of this report there are no options on issue.

14. ENVIRONMENTAL DISCLOSURE

The Group's operations are subject to various laws governing the protection of the environment in areas such as protection of water quality, waste emission and disposal, environmental impact assessments, exploration rehabilitation and use of, ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation in the state in which they operate and such licences include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the Company's licences and all exploration and other activities have been undertaken in compliance with the relevant environmental regulations.

15. INDEMNITIES AND INSURANCE

During the financial year, the Company paid a premium to insure the Directors and officers of the Company against liabilities incurred in the performance of their duties. Under the terms and conditions of the insurance contract, the premium paid cannot be disclosed.

The officers of the Company covered by the insurance policy include any person acting in the course of duties for the Company who is, or was, a Director, Company Secretary or senior manager within the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers, in their capacity as officers, of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

16. SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

17. PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report, there are no leave applications or proceedings brought on behalf of the Company under section 237 of the Corporations Act 2001.

18. ROUNDING

The Group is of a kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191. In accordance with that Class Order, amounts contained in the consolidated financial statements and Directors' report have been rounded off to the nearest one thousand dollars, unless specially stated to be otherwise.

19. NON-AUDIT SERVICES

There were no non-audit services provided by KPMG during this financial year.

20. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 21 and forms part of the Directors' report for the financial year ended 30 June 2017.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to be 'Min Yang', written over a faint rectangular box.

Min Yang
Non-Executive Chairman
Sydney, Australia
21 September 2017



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Rey Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Rey Resources Limited for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Daniel Camilleri
Partner
Sydney
21 September 2017

Rey Resources Limited**Consolidated statement of profit or loss and other comprehensive income****For the year ended 30 June 2017***in thousands of dollars*

	Note	30 June 2017	30 June 2016
Other income	4	145	7
Impairment reversal /(loss) of exploration and evaluation assets		-	(2,329)
Impairment of investment		-	(144)
Administrative expenses	5	(704)	(1,458)
Loss from operations		(559)	(3,924)
Finance income	4	3	9
Finance costs		(3)	(83)
Net finance income		-	(74)
Loss before income tax		(559)	(3,998)
Income tax benefit	6	-	-
Loss for the year attributable to owners of the company		(559)	(3,998)
Other comprehensive income		-	-
Total comprehensive loss for the year, attributable to owners of the Company		(559)	(3,998)
Loss per share			
Basic and diluted (cents per share)*	7	(0.27)	(2.4)

* Basic and diluted loss per share for 30 June 2016 have been restated. Refer to Note 7

The notes on pages 26-55 are an integral part of these consolidated financial statement

Rey Resources Limited
Consolidated statement of financial position
As at 30 June 2017

in thousands of dollars

	Note	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	8a	590	1,157
Trade and other receivables	9	23	28
Prepayments		13	19
Total current assets		626	1,204
Non-current assets			
Property, plant and equipment	10	12	15
Investment	11	212	106
Exploration and evaluation expenditure	12	37,296	36,125
Total non-current assets		37,520	36,246
Total assets		38,146	37,450
LIABILITIES			
Current liabilities			
Trade and other payables	13	111	201
Employee benefits	14	3	158
Loans from a shareholder	21d	500	-
Total current liabilities		614	359
Non-current liabilities			
Employee benefits	14	-	-
Total non-current liabilities		-	-
Total liabilities		614	359
Net assets		37,532	37,091
EQUITY			
Share capital	15	86,683	85,683
Reserves	16	-	2,238
Accumulated losses		(49,151)	(50,830)
Total equity attributable to equity holders of the Company		37,532	37,091

The notes on pages 26-55 are an integral part of these consolidated financial statements.

Rey Resources Limited

Consolidated statement of changes in equity

For the year ended 30 June 2017

In thousands of dollars

	Share capital	Reserves	Accumulated Losses	Total
Balance at 30 June 2015	81,072	2,200	(46,832)	36,440
Total comprehensive income:				
Loss for the period	-	-	(3,998)	(3,998)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,998)	(3,998)
Transactions with owners recorded directly in equity:				
<i>Contributions by and distributions to owners</i>				
Issue of ordinary shares	4,721	-	-	4,721
Less: transaction Cost	(41)	-	-	(41)
Share-based payment transactions	-	38	-	38
Share buy back	(69)	-	-	(69)
Balance at 30 June 2016	85,683	2,238	(50,830)	37,091
Loss for the period	-	-	(559)	(559)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(559)	(559)
Transactions with owners recorded directly in equity:				
<i>Contributions by and distributions to owners</i>				
Issue of ordinary shares <i>(Note 15)</i>	1,000	-	-	1,000
Less: transaction Cost <i>(Note 15)</i>	-	-	-	-
Share-based payment transactions <i>(Note 20)</i>	-	(2,238)	2,238	-
Balance at 30 June 2017	86,683	-	(49,151)	37,532

The notes on pages 26-55 are an integral part of these consolidated financial statements.

Rey Resources Limited
Consolidated statement of cash flows
For the year ended 30 June 2017

<i>in thousands of dollars</i>	Note	30 June 2017	30 June 2016
Cash flows from operating activities			
GST refund		7	30
Miscellaneous Income		41	4
Cash paid to suppliers and employees		(944)	(1,408)
Net cash used in operating activities	8b	(896)	(1,374)
Cash flows from investing activities			
Interest received		3	9
Payments for property, plant and equipment		(3)	-
Proceeds from sale of plant and equipment		-	4
Payments for exploration expenditure		(1,171)	(3,658)
Net cash used in investing activities		(1,171)	(3,645)
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of costs)		1,000	4,680
Share buy back		-	(69)
Proceeds from loans and borrowings		500	2,503
Repayment of loans and borrowings		-	(2,503)
Finance costs		-	(87)
Net cash from financing activities		1,500	4,524
Net (decrease)/increase in cash and cash equivalents		(567)	(495)
Cash and cash equivalents at the beginning of the year		1,157	1,652
Cash and cash equivalents at the end of the year	8a	590	1,157

The notes on pages 26-55 are an integral part of these consolidated financial statements.

Rey Resources Limited

Notes to the consolidated financial report

For the year ended 30 June 2017

1. REPORTING ENTITY

Rey Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 5, 62 Ord Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as "Rey Resources" or the "Group"). The Group is a for-profit entity and is primarily involved in mineral and oil and gas exploration and project evaluation.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including the Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"). The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The consolidated financial statements were authorised for issue by the Board of Directors on 21 September 2017.

(b) Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2017 the Group incurred a loss of \$559,000 and incurred operating and investing cash outflows of \$2,067,000. As at 30 June 2017 the Group had cash of \$590,000, net working capital of \$12,000 and net assets of \$37,532,000.

The Group has prepared a cashflow forecast for the 12 months ending 30 September 2018. The cashflow forecasts demonstrates the need to raise additional funding to meet both non-discretionary and discretionary expenditure. The forecast non-discretionary expenditure includes Rey's share of committed spend for exploration programs on the Canning Basin and Perth properties. The Directors are evaluating funding alternatives in the form of debt and equity, including discussions with existing shareholders, and with third parties for farming out certain petroleum interests.

The Directors believe that sufficient funding will be available in the timeframes required and that the adoption of the going concern basis of preparation is appropriate. The matters referred to above indicate the existence of a material uncertainty as to whether the Group will continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

2. BASIS OF PREPARATION (Continued)

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Other information about assumptions, estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 2(b)	- Going concern
Note 6	- Recoverability of tax losses.
Note 12	- Ultimate recoupment of carried forward exploration expenditure.
Note 20	- Key assumptions in determining the fair value of share based payments.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Rey Resources Limited and its subsidiaries.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Rey Resources Limited

Notes to the consolidated financial report

For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains and expenses on transactions between companies of the consolidated entity are eliminated in preparing the consolidated financial statements.

(iii) Loss of control

On the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounts investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Joint arrangements

Joint arrangements are defined as the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. These arrangements may be accounted for as a joint venture or a joint operation.

A joint venture, which is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and obligation for its liabilities. Interest in joint ventures are accounted for using the equity method.

A joint operation is an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator the Group recognises its relative share of its assets, liabilities, revenues and expenses.

(b) Foreign currency

Transactions in foreign currencies are translated to Australian dollars being the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Non derivative financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Non-derivative financial assets

Loans and receivables

The Group initially recognises loans and receivables and deposits on the date that they are originated. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Rey Resources Limited

Notes to the consolidated financial report

For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated depreciation rates for the current and comparative years are as follows:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20 - 40%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Exploration and development assets

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

Rey Resources Limited

Notes to the consolidated financial report

For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the end of each reporting period, the capitalised exploration and evaluation expenditure is assessed for impairment. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of the site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plants, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables and held-to maturity securities

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-cost. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Rey Resources Limited. Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

(j) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and share performance rights granted to employees.

(k) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the

Rey Resources Limited

Notes to the consolidated financial report

For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group's other components. All operating results are reviewed regularly by the Group's Chief Operating Decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Finance income and finance costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(n) Determination of fair values

Share-based payment transactions

The fair value of the Directors' performance rights is measured using Monte Carlo Sampling. The fair value of the executive rights is measured with reference to the share price at grant date. The fair value of the employee share options are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below:

Rey Resources Limited

Notes to the consolidated financial report

For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group expects to adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group expects to adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed.

Rey Resources Limited
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4. OTHER INCOME AND FINANCE INCOME

in thousands of dollars

	2017	2016
Other income		
Change in fair value of investment	106	-
Others	39	7
	145	7
Finance income		
Interest income	3	9
	3	9

5. ADMINISTRATIVE EXPENSES

in thousands of dollars

	2017	2016
Office supplies and expenses	194	140
Professional consulting fees	144	257
Employee benefits expense (see below)	167	578
Depreciation and amortisation expense	3	4
Insurance premiums	16	23
Legal costs	112	157
Other expenses (inc Travel expense)	68	299
	704	1,458
Employee benefits expense consists of:		
Equity-settled share- based payments	-	38
Salaries and fees	150	491
Superannuation	17	45
Fringe Benefit Tax	-	4
	167	578

Rey Resources Limited
Notes to the consolidated financial report
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6. INCOME TAX EXPENSE

in thousands of dollars

	2017	2016
Income tax recognised in profit or loss		
Current tax benefit	-	-
Deferred tax benefit	-	-
	-	-
Income tax benefit	-	-

Reconciliation of prima facie tax on accounting loss before tax to income tax (benefit) / expense

in thousands of dollars

	2017	2016
Accounting loss before tax	(559)	(3,998)
At statutory income tax rate of 30% (2016: 30%)	(168)	(1,199)
Non-deductible expenses	(71)	(139)
Tax losses for which no deferred tax asset was recognised	239	1,338
Income tax benefit	-	-

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>in thousands of dollars</i>	Statement of financial position		Profit or loss	
	2017	2016	2017	2016
Deferred tax liabilities				
Exploration and evaluation expenditure	(11,189)	(10,837)	(352)	(399)
Other	(4)	(6)	2	(6)
Gross deferred tax liability	(11,193)	(10,843)	(350)	(405)
Deferred tax assets				
Tax loss carry forwards	11,180	10,735	445	396
Other	13	108	(95)	9
Gross deferred tax asset	11,193	10,843	350	405
Net deferred tax asset	-	-	-	-

Tax losses

At 30 June 2017, the Group has tax losses arising in Australia of \$76,790,474 (2016: \$74,251,417) that are available for offset against future taxable income. The Group has not recognised a deferred tax asset in relation to these tax losses (other than an offset to the deferred tax liability) as realisation of the benefit is not regarded as probable. The ability of the Group to utilise these tax losses will depend on whether the Group is determined to pass the Australian Tax Office rules of continuity of ownership test, or failing that, the same business test.

Rey Resources Limited
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6. INCOME TAX EXPENSE (CONTINUED)

Tax consolidation

Rey Resources Limited and its 100% owned Australian resident subsidiaries formed a tax-consolidated Group with effect from 1 July 2009. The first consolidated income tax return for the Group was filed for the tax year ended 30 June 2010. Rey Resources Limited is the head entity of the tax-consolidated group.

7. LOSS PER SHARE

in thousands of dollars

	2017	2016
Earnings		
Earnings used in calculating basic and diluted earnings per share attributable to the owners of the company	(559)	(3,998)
Number of ordinary shares	2017	2016
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share	208,549,966	(Restated) 166,549,861
Basic loss per Share (cents per share)	(0.27)	(2.4)
Diluted loss per Share (cents per share)	(0.27)	(2.4)

Calculation of loss per share

During the year, Rey completed a 5 into 1 share consolidation and accordingly loss per share for the 2016 comparative period have been adjusted for such share consolidation by dividing the average weighted number of share prior to the share consolidation by 5.

Upon completion of the 5 to 1 share consolidation in December 2016, the issued capital of the Company was consolidated into 212,495,266 fully paid ordinary shares.

Basic loss per share is calculated as loss for the period attributable to shareholders of \$559,000 (2016: \$3,998,000 loss) divided by the weighted average number of ordinary shares (2017: 208,549,966; 2016 (restated): 166,549,861). The diluted loss per share for the year ended 30 June 2017 and 2016 were the same as the basic loss per share as the outstanding performance share rights had an anti-dilutive effect to the basic loss per share.

Rey Resources Limited
Notes to the consolidated financial report
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8a. CASH AND CASH EQUIVALENTS

<i>in thousands of dollars</i>	2017	2016
Cash at bank and in hand	590	1,157
Cash and cash equivalents	590	1,157

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

8b. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>in thousands of dollars</i>	Note	2017	2016
Cash flows from operating activities			
Loss for the period		(559)	(3,998)
Adjustments for:			
Depreciation	10	3	4
Impairment of capitalised exploration expenditure		-	2,329
Change in fair value of investment	11	(106)	144
Equity-settled share-based payment expense	5	-	38
Interest income		-	(9)
Finance costs		-	87
Loss/(Profit) on disposal of fixed assets		2	(4)
Other non-cash transactions		(2)	1
		(662)	(1,408)
(Increase) / decrease in trade and other receivables		5	30
(Increase) / decrease in prepayments		6	3
Increase / (decrease) in trade and other payables		(90)	72
Increase / (decrease) in employee benefits		(155)	(71)
Net cash used in operating activities		(896)	(1,374)

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

9. TRADE AND OTHER RECEIVABLES

<i>in thousands of dollars</i>	2017	2016
<i>Current</i>		
Other receivables	23	28
	<u>23</u>	<u>28</u>

10. PROPERTY, PLANT AND EQUIPMENT

<i>in thousands of dollars</i>	2017	2016
Property, plant and equipment		
At cost	179	178
Accumulated depreciation	(167)	(163)
Total property plant and equipment	<u>12</u>	<u>15</u>

Movements in carrying amounts:

<i>in thousands of dollars</i>	2017	2016
Balance as at 1 July	15	20
Additions	-	2
Disposals	-	(3)
Depreciation expense	(3)	(4)
Balance as at 30 June	<u>12</u>	<u>15</u>

11. INVESTMENT

<i>in thousands of dollars</i>	2017	2016
Investment in Norwest Energy NL at fair value as at 1 July	106	250
Changes in fair value of investment	106	(144)
	<u>212</u>	<u>106</u>

On 5 June 2015, Rey subscribed for \$250,000 of Norwest Energy NL (Norwest) shares at a price of \$0.004712 per share. The closing price of Norwest shares as at 30 June 2017 was \$0.004 per share. This investment is classified as a fair value through profit or loss financial asset and accordingly fair value changes are recorded in the profit and loss statement.

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

12. EXPLORATION AND EVALUATION EXPENDITURE

<i>in thousands of dollars</i>	2017	2016
Costs carried forward in respect of:		
Incurring at cost by the Group on assets not governed by joint venture agreements ¹	21,562	21,456
Capitalised share of exploration assets under Joint Venture Agreements ²	10,640	10,459
Capitalised share of exploration assets under Joint Venture Agreements ³	2,717	2,650
Capitalised share of exploration assets under Joint Venture Agreements ⁴	2,377	1,560
Costs carried forward	<u>37,296</u>	<u>36,125</u>

1. Exploration and evaluation expenditure recognised in exploration assets held solely by the Group.
2. Exploration and evaluation expenditure recognised on EP457 and EP458 tenements under joint venture agreement with Buru Energy Limited and Mitsubishi Corporation. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities.
3. Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Key Petroleum Pty Ltd and Caracal Exploration Pty Ltd. This amount includes The Group's proportionate share of exploration assets held by the EP437 tenement owners.
4. Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Oil Basins Ltd. This amount includes The Group's proportionate share of exploration assets held by the EP487 tenement owners. In June 2017, Rey Derby Block Pty Ltd, a wholly owned subsidiary of the Company, has completed the acquisition of a 50% interest from Oil Basins Ltd and the Group now holds a 100% beneficial interest in EP487.

<i>in thousands of dollars</i>	2017	2016
At cost	37,296	56,021
Accumulated impairment losses	-	(19,896)
	<u>37,296</u>	<u>36,125</u>

Movements in carrying amount:

<i>in thousands of dollars</i>	2017	2016
Opening balance	36,125	34,796
Current year expenditure capitalised	1,171	3,658
Impairment	-	(2,329)
	<u>37,296</u>	<u>36,125</u>

As a result of the impairment testing process at 30 June 2016, the Group recognised an impairment loss of \$2,329,000 with respect to relinquishment of tenements exploration licenses. The impairment loss was recognised in 'exploration impairment' on the Consolidated Statement of Profit or Loss and other comprehensive Income.

Management has re-assessed the carrying value of the Duchess Paradise exploration and evaluation asset (2017: \$21,562,000; 2016: \$21,456,000) using a fair value calculation and no impairment was recognised for the year ended 30 June 2017. The fair value of Duchess Paradise is sensitive to key assumptions such as discount rate (10%), coal price (USD 82 per tonne) and exchange rate (AUD 1: USD 0.79).

Rey Resources Limited
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12. EXPLORATION AND EVALUATION EXPENDITURE (Continued)

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or evaluation phase is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas.

Tenements where tenure is not intended to be continued have been fully impaired as at 30 June 2017. Management expected to extend the right of tenure for tenements approaching expiry.

13. TRADE AND OTHER PAYABLES

in thousands of dollars

Unsecured liabilities

Sundry payables and accrued expenses

	2017	2016
	111	201
	111	201

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

14. EMPLOYEE BENEFITS

in thousands of dollars

Employee benefits

Current

Non-current

	2017	2016
	3	158
	-	-
	3	158

15. ISSUED CAPITAL

in thousands of dollars

212,495,266 ¹ (2016: 992,381,876) fully paid ordinary shares

	2017	2016
	86,683	85,683
	86,683	85,683

1. On 1 December 2016, shares of the Company were consolidated on a five (5) into one (1) basis. Accordingly the total number of issued shares of the Company after consolidation became 212,495,266 shares.

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares participate in the proceeds on winding up of the parent entity in proportion to the numbers of shares held.

Rey Resources Limited
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15. ISSUED CAPITAL (Continued)

Movements in shares on issue

	2017		2016	
	Number	\$'000	Number	\$'000
On issue at beginning of the year	992,381,876	85,683	711,750,074	81,072
Shares issued during the year:				
12 February 2016 ¹	-	-	33,333,333	1,000
7 April 2016 ²	-	-	229,497,045	3,442
29 April 2016 ²	-	-	18,598,424	279
1 July 2016 ³	3,426,667	-	-	-
17 Oct 2016 ⁴	66,666,666	1,000	-	-
Share consolidation ⁵	(849,979,943)	-	-	-
Share buy back ⁶	-	-	(797,000)	(69)
Transaction costs relating to share issues	-	-	-	(41)
On issue at the end of the year	212,495,266	86,683	992,381,876	85,683

- On 12 February 2016, the Company completed a private placement to raise \$1 million (before costs) via the issue of a total of 33,333,333 shares at an issue price of \$0.03 per share to a sophisticated investor.
- On 26 February 2016, the Company announced a non-renounceable pro-rata one for three rights issue at an offer price of \$0.015 per share. A total of 229,497,045 new shares were subscribed and issued on 7 April 2016 under the entitlement offer. The remaining shortfall of 18,598,424 shares were issued on 29 April 2016.
- On 1 July 2016, 3,426,667 share performance rights held by Mr Wilson vested and were converted to fully paid ordinary shares of the Company.
- On 17 October 2016, the Company completed a private placement to raise \$1 million (before costs) via the issue of a total of 66,666,666 shares at an issue price of \$0.015 per share to sophisticated investors.
- On 1 December 2016, shares of the Company were consolidated on a five (5) into one (1) basis. Accordingly the total number of issued shares of the Company after consolidation became 212,495,266 shares.
- During the year ended 30 June 2016, a total of 797,000 shares were bought back at a cost of \$69,466 and cancelled. On 23 May 2017, the Company announced the implementation of a new buyback scheme for 12 months from 6 June 2017. No shares were acquired and cancelled for the year ended 30 June 2017.

Options and share performance rights

For information relating to the Rey Resources Limited employee option plan and share performance rights plan, including numbers granted, exercised and lapsed during the financial year and the numbers outstanding at year-end, refer to note 20.

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

16. RESERVES

Share based payments reserve

The share based payments reserve records the fair values recognised in accounting for employee share options and share rights awarded as share-based payments. During the year ended 30 June 2017, all outstanding share performance rights were either lapsed or exercised and the share based payments reserves were reversed accordingly.

17. COMMITMENTS

(a) Operating lease commitments

There was no non-cancellable operating lease commitment for the Group.

(b) Exploration expenditure commitments

The commitments are required in order to maintain the Group's interests in good standing with the Department of Mines & Petroleum (DMP). It includes commitment for both mineral exploration tenements and also the company's share in petroleum exploration permits in which it has joint venture interests. These obligations may be varied from time to time, subject to approval by the DMP.

<i>In thousands of dollars</i>	Mineral	Petroleum	Total
Year 1	129	8,249	8,378
Year 2-5	-	12,343	12,343
Total	129	20,592	20,721

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18. GROUP ENTITIES

Consolidated subsidiaries	Country of incorporation	Ownership Interest	
		2017	2016
Blackfin Pty Limited	Australia	100%	100%
Rey Cattamarra Pty Limited	Australia	100%	100%
Rey Derby Pty Limited	Australia	100%	100%
Rey Derby Block Pty Limited	Australia	100%	100%
Rey Derby Port Operations Pty Limited	Australia	100%	100%
Rey Royalty Chile Pty Ltd	Australia	100%	100%
Rey Mt Fenton Pty Limited	Australia	100%	100%
Rey Freney Pty Limited	Australia	100%	100%
Rey Victory Pty Limited	Australia	100%	100%
Camballin Energy Pty Limited	Australia	100%	100%
Rey Oil and Gas Pty Limited	Australia	100%	100%
Rey Oil and Gas Perth Pty Limited	Australia	100%	100%
Rey Lennard Shelf Pty Limited	Australia	100%	100%
Humitos Pty Ltd	Australia	100%	100%

19. JOINT OPERATION INTERESTS

Joint venture agreements have been entered into with third parties. Details of joint venture agreements are disclosed below. These are accounted for as joint operations.

Assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration expenditure (refer note 12) and disclosed distinctly from capitalised exploration costs incurred on the Group's 100% owned projects.

Rey/Buru/Mitsubishi Joint Venture

On 18 March 2013, the Company entered into an agreement with Buru Energy Limited and Mitsubishi Corporation pursuant to which the Company acquired an additional 15% interest in exploration permits EP457 and EP458 in the Canning Basin, Western Australia.

The interest in the two exploration permits, known as "The Fitzroy Blocks", are:

Buru Energy Limited	37.5% (operator)
Mitsubishi Corporation	37.5%
Rey Resources Limited	25% (of which a 10% interest is free carried to production).

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

19. JOINT OPERATION INTERESTS (Continued)

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under this joint venture agreement at the reporting date is \$10,640,000 (2016: \$10,458,786) (note 12)

Rey/Key/Caracal Joint Venture

On 29 May 2014, Rey Oil and Gas Perth Ltd (a wholly owned subsidiary company of the Company) entered into an agreement with Key Petroleum (Australia) Pty Ltd and Caracal Exploration Pty Ltd to farm in to Exploration Permit EP437 in the North Perth Basin, Western Australia.

Following the completion of the farm in the beneficial interests in EP437 are as follows:

Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)	43.47%
Rey Oil and Gas Perth Pty Ltd	43.47%
Caracal Exploration Pty Ltd	13.06%

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed in this farm in agreement at the reporting date is \$2,716,333 (2016: \$ 2,649,463) (note 12).

Rey/Oil Basins Joint Venture

On 29 May 2015, Rey Lennard Shelf Pty Ltd ("RLS", a wholly owned subsidiary of the Company) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd. RLS entered into a Joint Operating agreement with Oil Basins Ltd ("OBL", holder of the remaining 50% interest), for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The equity interests in the exploration permit were:

RLS	50% (assuming operatorship on 1 January 2016 under certain preconditions)
OBL	50% (acting as operator until at least 1 January 2016)

Following a hearing in the Supreme Court of western Australia, OBL transferred operatorship to RLS on 2 June 2016.

On 16 June 2017, Rey announced the completion of the transaction ("Transaction") with OBL to acquire its 50% interests of EP487 via another wholly owned subsidiary, Rey Derby Block Pty Ltd, subsequent to the granting of operatorship in May 2016. Rey now holds 100% of the Derby Block.

According to the agreement, Rey had a three month option to acquire Oil Basins Royalties Limited ("OBR"), wholly owned subsidiary of OBL, for up to \$400,000 if the negotiated sale of OBR to a third party does not proceed within six months from the date of completion of the Transaction. Rey has been informed that the sale of OBR has completed and the option to acquire OBR has lapsed accordingly.

The total amount of the Group's capitalised interest in EP487 is \$2,377,382 (2016: 1,560,229) (note 12)

20. SHARE BASED PAYMENTS

Description of the share-based payment arrangements

The Group has the following share-based payment arrangements:

Share option programme (equity-settled)

On 2 June 2006, the Group established a share option programme that entitles key management personnel (KMP) to purchase shares in the Company. The plan is subject to ASX Listing Rules. In accordance with these programmes, options are exercisable at the market price of the share at the date of the grant.

No options remain outstanding at 30 June 2017.

Share performance rights programme (equity-settled)

Executives are eligible to participate in the 2011 Executive Incentive Rights Plan ("2011 EIRP"), which replaced an earlier 2010 EIRP and was approved at the 2011 Annual General Meeting. The 2011 EIRP aligns the reward of the participants with the long term creation of shareholder value as outlined below.

The 2011 EIRP enables participants to be granted rights to acquire shares subject to the satisfaction of certain conditions. Subject to adjustments for any bonus issues of shares and capital reorganisations, one share will be issued on the exercise of each right which vests or becomes exercisable. No amount is payable by employees in respect of the grant or exercise of rights.

The 2011 EIRP, issued in November 2012, relates to the period 1 July 2011 to 30 June 2014 with provision for a one year retest; and for share rights issued in November 2012 for the period 1 July 2012 to 30 June 2015 with provision for a one year retest. At the end of the measurement periods (either first or second), the following vesting scale will be applied to the share rights given to executive Directors. This will be based on the compound annual growth rate over the relevant period. The retest of provision only applies if none of the share rights for Directors vest at the end of the First Test Period.

Vesting Scale:

Performance Level	Compound Annual Rate of the Company's Total Shareholder Return (TSR) Over the Measurement Period	Vesting %
<Threshold	<10%	-
Threshold	10%	25%
>Threshold & <Target	>10% & <15%	Pro rata based on the % achieved
Target	15%	50%
>Target & <Stretch	>15% & <20%	Pro rata based on the % achieved
Stretch	≥20%	100%

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Notes to the consolidated financial report
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20. SHARE BASED PAYMENTS (Continued)

In relation to the share rights granted to the executive KMP, the Board has determined the service and/or performance conditions that need to be satisfied for incentive rights to vest along with the relationship between the various potential levels of performance and levels of vesting that may occur. Performance conditions will be determined by the Board for each tranche of each offer and may vary between offers.

Following the end of the measurement period, the Board will determine for each tranche of incentive rights to which the measurement period applies, the extent to which they vest. If the incentive rights in a tranche have not vested and there is no opportunity for those incentive rights to vest at a later date, they lapse.

No share performance rights were outstanding at 30 June 2017.

21. RELATED PARTIES

(a) Parent entity

The ultimate parent entity within the Group is Rey Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

(c) KMP compensation

Disclosures relating to compensation of the KMP compensation comprised:

Individual Directors and executives compensation disclosures

	2017	2016
Short term benefits	264,954	699,176
Post-employment benefits	12,535	44,465
Other long term employee benefits	-	49,264
Share based payments	-	38,000
Termination benefits	-	220,950
	277,489	1,051,855

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03, is provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Loans to KMP and their related parties

There were no loans given to KMP and their related parties.

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21. RELATED PARTIES (Continued)

(d) Transactions with related parties

	2017	2016
ASF Group Ltd		
Service fees	85,000	45,000
Loan granted and fully repaid during the year (inclusive of interest)	-	2,587,000
Wanyan Liu		
Loan granted ¹	500,000	-

1. An unsecured loan of \$500,000 was granted by Wanyan Liu, a substantial shareholder of the Company, with maturity date on 27 June 2018 and interest bearing at 12% per annum.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's financial instruments consist mainly of deposits with banks and accounts receivable, payable and share investment.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

<i>in thousands of dollars</i>	2017	2016
Financial assets		
Financial assets measured at fair value		
Share investment ¹	212	106
Financial assets not measured at fair value		
Cash and cash equivalents	590	1,157
Trade and other receivables	23	28
Total	825	1,291
Financial liabilities		
Financial assets not measured at fair value		
Trade and other payables	111	201
Total	111	201

1. In support of a strategic alliance, Rey subscribed for \$250,000 of Norwest Energy NL (Norwest) shares at a price of \$0.004712 per share on 5 June 2015. The closing price of Norwest shares as at 30 June 2017 was \$0.004 per share.

Trade and other receivables: analysis of age of financial asset

The aging of trade and other receivables at the reporting date that were not impaired was as follows:

	2017	2016
Neither past due nor impaired	23	28

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group does not use any form of derivatives for speculative purposes. The Group is not at a level of exposure that requires the use of derivatives to hedge its exposure.

The main risks the Group is exposed to through its financial instruments are liquidity risk and market risk which includes interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, and trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

The Group limits its exposure to credit risk in respect of cash and cash equivalents and other deposits with banks by only dealing with reputable banks with high credit ratings.

In respect of trade and other receivables, the Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The Group is not exposed to any significant credit risk as there were no trading operations during the year.

At 30 June 2017 and 30 June 2016, there was no allowance for doubtful debts and there were no receivables past due but not impaired.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market, by continuously monitoring forecast and actual cash flows and ensuring that adequate uncommitted funding is available and maintained.

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following are the expected maturities of financial assets and the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2017

in thousands of dollars	Carrying amount	Expected / contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	111	111	111	-	-	-	-
Loans from a shareholder	500	560	-	560	-	-	-
	611	671	111	560			

2016

in thousands of dollars	Carrying amount	Expected / contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	201	201	201	-	-	-	-
	201	201	201	-	-	-	-

Currency risk

The Group is not exposed to currency risk at the reporting date because the Group holds no financial assets or liabilities denominated in foreign currency.

Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market interest rates on interest-bearing financial instruments.

At the reporting date, the Group had the following mix of financial assets exposed to interest rate risk.

in thousands of dollars

Variable rate instruments

Cash and cash equivalents

	2017	2016
Cash and cash equivalents	590	1,157
	590	1,157

At the reporting date, the Group had a \$500,000 term loan from a shareholder. Due to the short term nature and fixed interest rate of the loan, the Group does not expose to interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by \$4,429 (2016: \$7,164).

Rey Resources Limited

Notes to the consolidated financial report

For the year ended 30 June 2017

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair values

The Group's share investment measured at fair value at the end of the reporting period on a recurring basis and categorised into Level 1 fair value hierarchy as defined in AASB 13 *Fair value measurement*. The fair value of the share investment is measured using unadjusted quote price on the Australian Securities Exchange.

During the year ended 30 June 2016 and 2017, there were no transfers between Level 1 and Level 2 or transfer into or out of Level 3.

Except for the share investment, the carrying amounts of other financial assets and financial liabilities are assumed to approximate their fair values due to their short-term nature.

23. OPERATING SEGMENTS

The Group operates in two segments, mineral exploration and development and petroleum exploration in one geographical location, Western Australia. The consolidated financial results from these segments are equivalent to the financial statements of the Group.

Operating segment information

	Mineral 2017	Mineral 2016	Petroleum 2017	Petroleum 2016	Corporate 2017	Corporate 2016	Total 2017	Total 2016
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Total Reportable segment revenue	-	-	-	-	-	-	-	-
Other income	104	7	-	-	41	-	145	7
Impairment reversal of assets	-	(2,329)	-	-	-	-	-	(2,329)
Impairment of investment	-	-	-	-	-	(144)	-	(144)
Interest revenue	-	-	-	-	3	9	3	9
Finance costs	-	-	-	-	(3)	(83)	(3)	(83)
Administration cost	-	-	-	-	(704)	(1,458)	(704)	(1,458)
Profit/(loss) before income tax benefit	104	(2,322)	-	-	(663)	(1,676)	(559)	(3,998)
income tax benefit	-	-	-	-	-	-	-	-
Loss after income tax benefit	104	(2,322)	-	-	(663)	(1,676)	(559)	(3,998)
Assets								
Other Assets	-	-	-	-	850	1,325	850	1,325
Segment assets	21,562	21,456	15,734	14,669	-	-	37,296	36,125
Total assets	21,562	21,456	15,734	14,669	850	1,325	38,146	37,450
Liability								
Other liabilities	-	-	-	-	614	359	614	359
Total Liabilities	-	-	-	-	614	359	614	359
Capital Expenditure	106	207	1,065	3,452	-	-	1,171	3,659

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

24. SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

25. AUDITORS REMUNERATION

in dollars

Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports -2016
-2017

	2017	2016
	-	56,690
	58,700	-
	<u>58,700</u>	<u>56,690</u>

The auditors of the Company did not provide any other services to the Company during the years ended 30 June 2017 and 30 June 2016.

Rey Resources Limited
Notes to the consolidated financial report
For the year ended 30 June 2017

26. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the Group was Rey Resources Limited.

in thousands of dollars

	2017	2016
A. Result of parent entity		
Loss for the year	(600)	(26,673)
Total comprehensive loss for the year	(600)	(26,673)
B. Financial position of the parent entity		
Total current assets	614	1,194
Total non-current assets	35,705	34,477
Total assets	36,319	35,671
Total current liabilities	608	202
Total non-current liabilities	-	158
Total liabilities	608	360
Net assets	35,711	35,311
Total equity of the parent entity comprising of:		
Share capital	86,683	85,683
Reserves	-	2,238
Accumulated losses	(50,972)	(52,610)
Total equity	35,711	35,311

C. Parent entity contingencies

As at 30 June 2017 and 2016, there are no contingent liabilities of the parent entity.

D. Parent entity capital commitments

As at 30 June 2017 and 2016, the parent entity has not entered into any material contractual agreements for the acquisition of property, plant or equipment.

E. Parent entity guarantees in respect of the debts of its subsidiaries

As at 30 June 2017 and 2016, there are no guarantees entered into by the parent entity.

Rey Resources Limited

Directors' declaration

For the year ended 30 June 2017

The Board of Directors of Rey Resources Limited declares that:

- (a) The consolidated financial statements, accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the financial position as at 30 June 2017 and performance of the consolidated entity for the financial year ended on that date; and
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The Directors draw attention to note 2(a) of the consolidated financial statements, which includes a statement of compliance with the International Financial Reporting Standards.
- (c) The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.
- (d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has received the declaration by the Managing Director and Financial Controller required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.



Min Yang

Non-Executive Chairman

Sydney, Australia

21 September 2017



Independent Auditor's Report

To the shareholders of Rey Resources Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Rey Resources Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(b), “Going Concern” in the financial report. The conditions disclosed in Note 2(b), indicate a material uncertainty exists that may cast doubt on the Group’s ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group’s assessment of going concern. This included:

- Analysing the cash flow projections by:
 - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group’s intentions, and past results and practices;
 - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group’s historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows, including the impact of the loan provided by a substantial shareholder subsequent to year end, for feasibility, quantum and timing. We used our knowledge of the client, its industry and current status of those initiatives to assess the level of associated uncertainty;
- Reading Directors minutes and relevant correspondence with the Group’s advisors to understand the Group’s ability to raise additional shareholder funds, and assess the level of associated uncertainty; and
- Evaluating the Group’s going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group’s plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

Key Audit Matters

In addition to the matter described in the *Material uncertainty related to going concern section*, we have determined the matter described below to be the **Key Audit Matter**:

- Exploration and evaluation expenditure

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Exploration and evaluation expenditure (\$37,296,000)

Refer to Note 12 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> the significance of the activity to the Group's business and the balance (being 98% of total assets); and the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E. Therefore, given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> the determination of the areas of interest (areas) in particular evaluating the results of the external expert engaged by the Group; documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&E activities; the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>In assessing the presence of impairment indicators, we focused on those factors that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above,</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard; We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for consistency with documentation such as license related technical conditions, joint venture agreements, results of the external expert engaged by the Group, and planned work programmes; For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses; We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard; We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel; We analysed the Group's determination of recoupment through successful development and exploitation of the area by evaluating the Group's documentation of planned future activities including work programmes and project and corporate budgets for a sample of areas;

and given the financial position of the Group we paid particular attention to:

- documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&E activities;
- The ability of the Group to fund the continuation of activities;
- Results from latest activities regarding the existence or otherwise of economically recoverable reserves. The Group engaged an external expert to assist with these assessments.

- We obtained project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding;
- We compared the results from the external expert engaged by the Group regarding the existence of reserves for consistency to the treatment of E&E and the requirements of the accounting standard.

Other Information

Other Information is financial and non-financial information in Rey Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Corporate Directory and Directors' Report. The Annual Mineral Reserves and Resources Statement is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Rey Resources Limited for the year ended 30 June 2017 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in section 6 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Daniel Camilleri
Partner

Sydney
21 September 2017